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## **Improving communication between IT and Business people in Private Banking**

Technology and its successful implementation are now at the heart of any financial services business, and private banks are no exception. Despite the huge sums which have been invested, many businesses continue to suffer from poor information management and high costs. One of the causes of this is that 'IT' and 'business' people do not communicate effectively and, as a result, deploy financial and technology resources wastefully, and reduce ROI and damage shareholder value. In this article, I set out some ideas on how these communication failures occur as a basis for taking positive action.

Private banks and wealth managers have wrestled with technology-related issues in the last few years aimed at building new businesses and improving the efficiencies of existing ones.

- The development of on-line capability with the challenge of creating new businesses or improving the effectiveness of the existing one
- Bulking and other processes to improve the cost efficiency of back-office operations
- Automation of certain back-office functions, such as corporate actions, which involve costly manual intervention
- Introduction of new functionality such as portfolio modelling and management to replace broker driven approaches to stock-picking
- Automation of front-office functions including salesforce management and intermediary/introducer management, customer service delivery and information management
- Integrating legacy systems as a result of acquisition or the desire to create a single view of the customer, or to present a single proposition to the customer

A number of firms have been successful at some of these initiatives, but there have been some notable failures especially online only initiatives, and CRM projects for the affluent and mass affluent. Budgets of \$100m have been frequently referred to in the public arena. There have been many more decisions not to proceed, or poorly implemented internal initiatives, and the cost and opportunity costs are incalculable.

Of course, there have been circumstances where the fundamental strategy has been wrong, or the risks not understood. But even in these cases, the firm's

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response is worsened, or made more expensive to the extent that IT and business people are not communicating.

The ideas contained are based on extensive client work in wealth managers and private banks over the last 10 years both from the perspective of a strategy consultant and as a technology solutions consultant. I will concentrate on three types of miscommunication which contribute to poor performance with technology based projects

- **Lack of understanding or expertise** – for example, use of nomenclature, jargon or other language not well understood in the same way, by other parties, or lack of well-understood processes for managing technology-related projects
- **Divergent tribal interests**, at least in the near term – for example, capturing budget for one department or the other, or ensuring a particular programme continues without the intervention of others
- **Bad habits** – for example, making implicit assumptions about how to communicate that deflect from serving the best interests of the firm

In the rest of this article I will discuss each of these topics in turn

## Lack of understanding, expertise or process

It is no small wonder that there should be misunderstandings. Information technologies in the wealth management market have developed rapidly over the last 5 years, along with other markets, and software vendors have been active in creating packages. There are now multiple options available with their sponsors making sometimes exaggerated claims of the functionality available.

A typical PCAM could have multiple technology platforms with 50+ applications, each with its own history and original rationale

The first issue is that of jargon. This applies as much for business people as for IT, and is made worse by the developments in technology which offer new functionality which must be differentiated from what went before by language. For example, the following are some of the terms which may be current in a discussion on IT.

*EAI, XML, XSL, XSLT, XSD, DTD, SGML, UDDI, J2EE, WSDL, SOAP, .NET, IP Networking, EJB, CORBA, LAN, WAN, CTI, PKI, OLTP, XA, 2PC, LDAP, etc, etc.....*

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Similarly the business side is not short of its own obscure terms and tools.

Value chain, competitive advantage, matrix, SWOT, EBITDA, 7S, shareholder value, ROCE, APR , *etc, etc.....*

The second issue concerns the processes used to manage decision-making around how strategy should be formulated, and translated into an implementable information technology agenda. The challenge these days is that these activities must now be managed in parallel, rather than in series, and so improved communication is essential.

Five processes are especially important

- Is there a well-understood process for **developing business and technology strategy**, taking technology opportunities and constraints into account?
- Is there a common and complete **language for specifying needs** which translates from business strategy through applications and systems architecture?
- Is there a reliable process for **managing projects to conclusion**, which can be flexed to meet different business priorities and to manage different types of risk?
- Are there integrative approaches to **business planning** to identify the interdependent nature of IT, business process and human skills and motivations?
- Are there holistic approaches to **benefits realisation** to ensure that the whole organisation is engaged and rewarded for creating performance?

Frequently, there are some processes in place to address these questions, but they are typically developed by one team or the other and do not take the other team's perspectives into account. How many times has one seen process charts with 20 of the 'boxes' devoted to the author's pet topic, and one box labelled 'Strategy', or 'IT'. This is not done from any malevolence, but from lack of understanding.

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## **Divergent, tribal interests**

Level of understanding aside, IT and business teams can seem like different tribes with different self interests. This starts with the basic training of IT people, and how they see their advancement:

***'IT people see their own advancement through technical ability, board members see senior IT advancement from communication and interpersonal skills'***

***IT Industry training body***

Frequently, there is insufficient senior representation on the board – at a recent seminar on Technology in Private Banking, one half of the organisations represented there had no IT director.

Once in situ, the sheer complexity of the task in hand can lead to divergent interests, and often the risk of failure weighs heavily on the IT team.

***'The main focus of IT implementation is to 'go live', not to fulfil a business plan'***

***Senior consultant***

Then comes the competition for resources. In most firms, budgets are set for various levels of expenditure, and these budgets determine the size of powerbases. IT budgets are frequently not tied to business results, and are based on a mixture of history, affordability and how convincing investment cases can be made. It is therefore very difficult to gain the maximum value from investments in new applications or technologies, as they can be used as instruments in the politics.

The tribal nature of the relationships between IT and business teams necessarily affects their communication, since each communication is couched in the context of vested and sometimes divergent self-interests.

Psychographic profiles of business and IT teams reveals that they are very different – different but complementary – which underscores the need for explicit processes to help them communicate more effectively and to recognise and support the common agenda of making the firm successful.

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## **Bad habits**

Compounding the factors above, there is a further layer to the communication story, which may have had its roots in the misunderstandings and rivalries described, but which is now embedded in habit – bad habit. To a large degree, this is the one which is most difficult to get at, since people are unaware that they are doing it.

Pioneering work was done on this phenomenon by Chris Argyris, a professor of organisational behaviour at Harvard University. There is often a difference between the behaviours people espouse, and their behaviours in action, eg between clear and honest communication and partial, distorted and misinterpreted communication.

Frequently, people do not say what they mean from habit, and when they hear others speak, they implicitly assume the same in the other, and listen for what the other person is 'really' saying.

Mostly, people do not say what they mean by editing out key pieces of information they think it best for the other side not to hear, or which will be a distraction to their main purpose. For example, an 'IT' person, may say that a project will deliver the required results, without expressing his concerns about quality, or the impact on cost for fear of the project being held up or diverted in some way. His 'business' colleagues hear that all is well only to discover that there are cost overruns later on. Similarly, a 'business' person may decide not to go ahead with an investment because to do so would leave the business vulnerable at an important time for his next job move, but publicly, he will only concentrate on economic arguments.

When they hear others speak, they automatically listen for the unspoken agenda, believing that is the true agenda. Unfortunately, they often make mistakes based on these assumptions. (See Exhibits 1 and 2)

In a conversation involving several interchanges, with both participants engaging in these behaviours, the opportunity for miscommunication can be enormous. However, the paper trail audit of a project will not show these unspoken dialogues and so the reasons for a failure are often difficult to trace.

When these communication styles have been used for some time, it becomes second nature and is very difficult to detect. The term 'skilled incompetence' has been used to refer to the resulting tendency of otherwise talented people pursuing their own goals to the detriment of the firm and of the shareholders

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There is much that can be done to improve the quality of thinking and communication in this complex environment, and to eradicate skilled incompetence, but the starting point is to acknowledge that much of the problem lies under the surface, like an iceberg, and is embedded in day-to-day behaviour.

From this it is possible to take a number of actions, for example, being more explicit about objectives and the processes to be used, spending time to understand perspectives and debating the full range of outcomes, adopting a common reward processes to align goals and so on.

Staring at each other from the edge of the trenches will not serve the shareholders well in the future.

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## Exhibit 1 What IT people say and .....

*"what they may mean/what business people may hear"*

- The project will meet its objectives....  
*"but not the business plan/ benefits case!"*
- Its 95% complete....  
*" but the 5% will take another year"*
- To a contractor: this is an IT sponsored project....  
*"don't talk to the "business" or we will fire you"*
- We work in partnership with business colleagues....  
*"If only they told us what they wanted we could give it to them"*
- This is a strategic technology....  
*"I find it interesting, but don't understand it yet"*  
*"But there is no business case"*
- This is a tactical move - it won't be here next year....  
*"It's likely to be around forever!"*
- We shouldn't outsource core capabilities...  
*"I don't want to lose my job"*
- All things being equal, that should be fine....  
*"All things are never equal"*
- The (CRM) system will deliver results....  
*"It will simplify communication, but not cross-selling"*
- You'll never do that with a package....  
*"I need to deploy our developers"*
- IT is best placed to run strategic projects....  
*"No-one in the business has a view beyond this year's budget"*
- These evaluation criteria are not appropriate  
*"They favour the option I don't like"*

## Exhibit 2 What Business People say and .....

*"what they may mean/what IT people may hear"*

- IT is important to the business.....  
*"we'd love to do without them, but we can't"*
- We need to be flexible as to the proposition...  
*"we may change our minds at the drop of a hat"*
- We want to be more efficient...  
*"we can't get the insight we need from our IT colleagues"*
- This is the 5 year plan...  
*"and next year there will be another one"*
- The business plan is now finished...  
*"assuming IT can deliver on the new systems"*
- We work in partnership with our IT colleagues..  
*"If only they could give us what we ask for"*
- We should consider outsourcing at all levels..  
*"anything to have an SLA"*
- The budget is confirmed...  
*"but it is likely to be reduced"*
- We want to move to 100% STP....  
*"so long as we don't lose anyone"*
- Option A is a clear winner....  
*"I don't like the criteria favouring option B"*
- We have a preference for buy over build....  
*"We must reduce our dependency on expensive in house developers"*
- These evaluation criteria are not appropriate....  
*"They favour the option I don't like"*